

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 1915 - SB 1893**

February 27, 2018

**SUMMARY OF BILL:** Exempts from the state and local sales taxes the sale of: platinum, gold, or silver bullion, that is valued solely upon its precious metals content, whether in coin or ingot form; numismatic coins that have a sales price of no more than \$10,000; and numismatic coins at a national, statewide, or multi-county numismatic trade show.

**ESTIMATED FISCAL IMPACT:**

**Decrease State Revenue – Net Impact – \$360,800**

**Decrease Local Revenue – Net Impact – \$117,800**

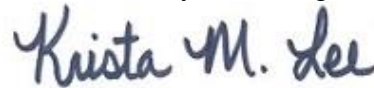
Assumptions:

- Based on the Industry Council for Tangible Assets' (ICTA) 2016 survey, Rare Coins and Precious-Metals Bullion National Survey, 2015 Sales-Tax Collections, it is estimated that there are 205 rare coins, paper money, and precious-metal bullion dealers in Tennessee.
- Based on information provided by the Department of Revenue, the average annual sales tax collections in Tennessee are estimated to be \$7,073 (state) and \$2,307 (local) per dealer.
- Based on the United States Mint 2016 Annual Report and ICTA's survey, it is estimated that 77.0 percent of collected taxes in states without sales tax exemptions on sales of coins, paper money, and bullion are derived from sales of merchandise that would be exempt pursuant to this legislation (applicable merchandise); 23.0 percent of such collections are derived from other merchandise subject to sales and use taxes.
- As a result, each dealer in Tennessee is assumed to annually remit an average of \$5,524 in state sales tax collections from applicable merchandise (\$7,073 x 78.1%) and \$1,549 in state sales tax collections from other merchandise (\$7,073 x 21.9%); and \$1,802 in local sales tax collections from applicable merchandise (\$2,307 x 78.1%) and \$505 in local sales tax collections from other merchandise (\$2,307 x 21.9%).
- Total annual state sales tax collections under current law are estimated to be \$1,449,965 (\$7,073 x 205); total annual local sales tax collections under current law are estimated to be \$472,935 (\$2,307 x 205). These numbers are assumed to remain constant under current law.

- The percentage of sales attributed solely to the defined categories of sales listed in this legislation is unknown; however, documents accompanying ICTA's February 17, 2016 testimony to the House Finance, Ways and Means Committee state that, for a specific relatively large company in Michigan, prior to Michigan exempting precious metals, bullion and rare coin retail sales from sales and use taxes, very few sales were made in excess of \$1,000 and virtually no transactions were made where the sale amount exceeded \$10,000.
- Therefore, it is reasonably assumed that exempting only such coins with a sales price of no more than \$10,000 will not significantly decrease current taxable sales that will be subject to the exemption pursuant to this legislation.
- The proposed sales tax exemption on sales of applicable merchandise is expected to result in increased spending on other merchandise that would still be subject to the state and local sales taxes, as a portion of taxpayer savings is re-spent on such goods and as additional business activity is attracted as a direct result of the tax exemption.
- ICTA's survey reports that sales tax collections derived from other merchandise are 243 percent higher in states that have a similar sales tax exemption on applicable merchandise than in those states without a similar exemption.
- The effective date of this bill is assumed to be July 1, 2017.
- Sales tax collections in FY17-18 and subsequent years derived from sales of other merchandise are estimated to be \$1,089,179 for the state [ $\$1,549 \times (1 + 2.43) \times 205$ ], and \$355,091 for local government [ $\$505 \times (1 + 2.43) \times 205$ ]. Sales tax collections from applicable merchandise will be zero as purchases of such merchandise will be exempt from the state and local sales taxes.
- The net recurring decrease in state revenue as a result of this bill is estimated to be \$360,786 ( $\$1,449,965 - \$1,089,179$ ).
- The net recurring decrease in local government revenue as a result of this bill is estimated to be \$117,844 ( $\$472,935 - \$355,091$ ).

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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